



LEGISLATIVE FISCAL OFFICE  
Fiscal Note

Fiscal Note On: **HB 1019** HLS 10RS 1592  
Bill Text Version: **ENGROSSED**  
Opp. Chamb. Action:  
Proposed Amd.:  
Sub. Bill For.:

<b>Date:</b> May 12, 2010	6:20 PM	<b>Author:</b> GREENE
<b>Dept./Agy.:</b> Revenue		
<b>Subject:</b> Centralized Debt Registry and Collection Unit		<b>Analyst:</b> Deborah Vivien

REVENUE DEPARTMENT

EG INCREASE SG EX See Note

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Establishes the Louisiana Debt Recovery Program at the Dept. of Revenue for the collection of delinquent debts owed to certain governmental entities

Current law: Each agency finalizes and attempts to collect delinquent accounts receivables in the manner the agency deems most efficient.

Proposed law: Creates the Louisiana Debt Recovery Program wherein each agency will transfer final and authenticated accounts receivables, including principle, interest, fees, and penalties, more than 60 days delinquent to the Department of Revenue (LDR). The statutory collection authority of each agency to collect the debt is transferred to LDR, which is authorized to use any means to collect that agencies can currently use. LDR may also offset state tax refunds or other accounts payable for all debt they are responsible for collecting. LDR is authorized to charge and retain a fee of up to 25% of the money collected, which will be added to the bill of the delinquent taxpayer. LDR is responsible for data maintenance and rules. LDR is also allowed to enter into a reciprocal agreement with the federal government to offset debt against any available accounts payable. Effective upon governor's signature.

EXPENDITURES	2010-11	2011-12	2012-13	2013-14	2014-15	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$1,582,297	INCREASE	INCREASE	INCREASE	INCREASE	\$1,582,297
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$1,582,297	\$0	\$0	\$0	\$0	\$1,582,297

REVENUES	2010-11	2011-12	2012-13	2013-14	2014-15	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

**EXPENDITURE EXPLANATION**

There are two components of this bill related to expenditures: Initialization & operation of the system and performing the collection services. LDR plans to contract for the creation and operation of the system and utilize current collections procedures within LDR to handle the collection of the debt, including principle, interest, fees and penalties.

**System Initialization and operation (\$1,582,297 of self-generated revenue already appropriated in HB 1, FY11)**

It is anticipated that the initialization of the program would require funding to establish a system for capturing the data from each agency, provide reporting mechanisms to the appropriate collection group and possibly dispense the collections to the appropriate entity. In addition, a current employee would be promoted to a program director to oversee the implementation and operation of the program, including supervision of employees. The recommended budget for FY 10/11 contains a \$1,582,297 appropriation of self-generated revenue (penalties and fees from the tax collection program), which LDR has determined will provide adequate funding for a system allowing the first phase of the program to become operational. The on-going expense of operating and maintaining the system is not yet determined but is expected to be paid through self-generated revenue from collections of the Debt Recovery program since this bill allows LDR to also collect a fee of up to 25% of the delinquency from the taxpayer.

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**REVENUE EXPLANATION**

The impact on delinquency collections is indeterminable due to the uncertainty of the success of the Debt Recovery program. To the extent that this centralized collection point and the authority of the Department of Revenue (LDR) is more successful in collecting delinquent debt than the procedures currently practiced by the various agencies, delinquency collections will increase. Estimates provided by LDR anticipate an increase in collections of \$50-70 million from the six initial agencies, but these returns are not assured under the parameters of the bill. In addition, the means-of-finance classification of the increase in collections will depend on the type of debt collected. Though this program could help collect delinquent accounts and will provide a centralized debt collection unit, it may provide only very limited additional revenue to the state general fund, if any at all, even with an increase in collections. The types of delinquencies associated with the six agencies initializing this program appear to be primarily fiduciary in nature or reimbursements to the federal government of overpayments of primarily federal funds.

LDR is allowed to impose a fee of up to 25% upon the delinquent payer in addition to any delinquent receivables. Any collections from the allowable fee will become self-generated revenue for LDR. To the extent that these fees are collected, costs of the in-house portion of the program will be offset. It is also expected that consolidating the receivables into a standardized system will help insure that all penalties and fines are being properly assessed, which may also help increase collections.

Senate

Dual Referral Rules

☒ 13.5.1 >= \$100,000 Annual Fiscal Cost

☐ 13.5.2 >= \$500,000 Annual Tax or Fee Change

House

☐ 6.8(F) >= \$100,000 Annual SGF Cost

☐ 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

Gregory V. Albrecht  
Chief Economist



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CONTINUED EXPLANATION from page one:

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Expenditure Explanation (Continued)

The first phase of the current plan has six agencies transferring accounts receivables to LDR: Dept. of Social Services (TANF and Food Stamp overpayments), Workforce Commission (UI taxes due and UI benefit overpayments), Dept. of Corrections and the Office of Juvenile Justice (restitution and other fees), Dept. of Transportation and Development (reimbursement for damage to state property), and Dept. of Health and Hospitals (provider overpayments). The final plan is for LDR to eventually provide collection services for all agencies. It is not clear how much additional funding may be necessary to add additional agencies to the system, but it is expected that after the initial phase, the incremental expense of adding additional agencies will be minimal. All expenses are intended to be funded by the self-generated revenue from the Debt Recovery Program.

It is expected that the contract will include any program costs involved in adapting each agency’s system to provide an appropriate format for data transfer so there should be no meaningful IT expense for participating agencies.

Expenses/Savings for Collection Services (Indeterminable)

LDR plans to redirect the mission of up to 14 Tax Officers from collecting LDR delinquent tax receivables to collecting receivables for other agencies. The current tax delinquency collection duties of these 14 tax officers will be transferred to private agencies currently contracted to collect delinquent accounts for an additional fee paid by the taxpayer. Since the contracts are expected to be strictly contingency based and the cost borne by the delinquent taxpayer, there is no expected fiscal impact to the state. Any other receivables not handled in house could also be contracted out in this same manner.

To the extent that agencies are able to obtain collection services from the Debt Recovery Unit within LDR at a lower cost than they currently incur, savings could result. Over time, certain agencies that have dedicated collections personnel may be able to allow for a decrease in administrative positions and overhead. However, the Debt Recovery program will not handle all receivables for every agency. Once LDR incurs some of the collections obligations, it may be more beneficial for these agencies to reassign the T.O. to another area of the collections function instead of eliminating positions. These issues will only be resolved as needs are assessed after the implementation of the Debt Recovery program. Hence, the degree to which administrative expenses may be reduced or eliminated in the future is uncertain.

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Dual Referral Rules

House  
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